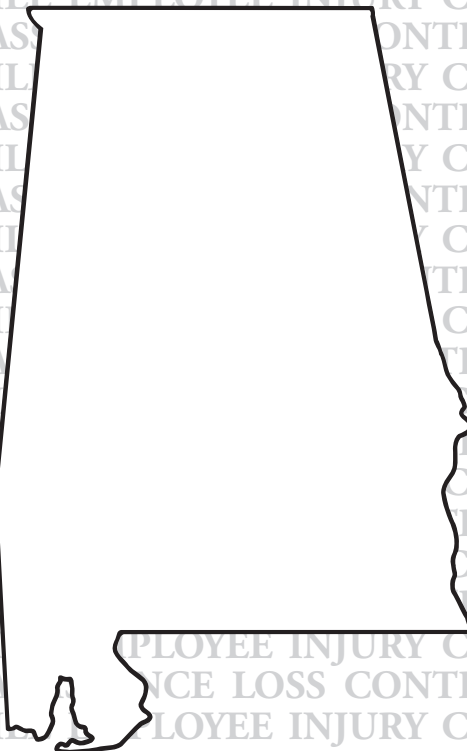


# 2004 ANNUAL REPORT



ALABAMA  
DEPARTMENT OF FINANCE  
DIVISION OF RISK MANAGEMENT





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**STATE OF ALABAMA**  
**Department of Finance**  
**Division of Risk Management**

**Comprehensive Annual Report**  
**For the Fiscal Year Ended September 30, 2004**



**Bob Riley**  
Governor

**James Allen Main**  
Director of Finance

**Jerry Carpenter**  
General Counsel

**Kim Huggins**  
Acting Risk Manager



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## MESSAGE FROM THE RISK MANAGER

The 2004 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2004. An important part of DORM's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.

The 2004 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the Division is that we are a service organization whose objective is to best meet the needs of our client state agencies. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2005.

Kim Huggins  
Acting Risk Manager





## STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on State-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase Excess Insurance up to \$750 million per occurrence to protect the State from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest our premiums to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered blanket replacement cost coverage for qualified buildings. This valuable coverage provides full replacement cost coverage in the event of a total loss no matter what insured value is shown. Other valuable coverages are Extra Expense, Electronic Data Processing coverage, Builders Risk, Transit Coverage, and Boiler & Machinery which is reinsured by The Travelers.

FY2004 was an extremely active claims year for the fund. Excess Insurance reimburses our losses after \$3,500,000 per occurrence and \$7,500,000 yearly. We are currently being reimbursed for many of our losses and that will continue until all claims are closed. Some of the larger losses for FY2004 are listed below:

- 6/29/04 – Department of Conservation; State Parks Division; Guntersville State Park sustained total loss damage by fire to their Park Maintenance Building. Total incurred loss is \$ 522,200.00
- 8/23/04 – Mobile County Board of Education; New Causey Middle School received extensive damage by lightning which caused the building to catch on fire. Total incurred loss is \$ 2,125,574.90
- 9/16/04 – Multiple locations sustained damage from Hurricane Ivan, a category 3 storm which came ashore in Gulf Shores, Alabama. Total incurred loss is \$ 32,808,901.

The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure over \$25 billion in values. This means our fund equity and financial structure must be adequate to respond and we believe we are positioned to meet the financial demands that are certain to occur in the future.

Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2004	25,773,119,622	1,273,757,518	4.94%
2003	24,499,362,104	2,641,099,820	10.78%
2002	21,858,262,284	1,968,635,457	9.01%
2001	19,889,626,827	1,201,401,396	6.04%
2000	18,688,225,431	1,114,330,758	5.96%
1999	17,573,894,673	2,256,317,091	12.84%
1998	15,317,577,582	1,228,452,640	8.02%
1997	14,089,124,942	876,473,448	6.22%

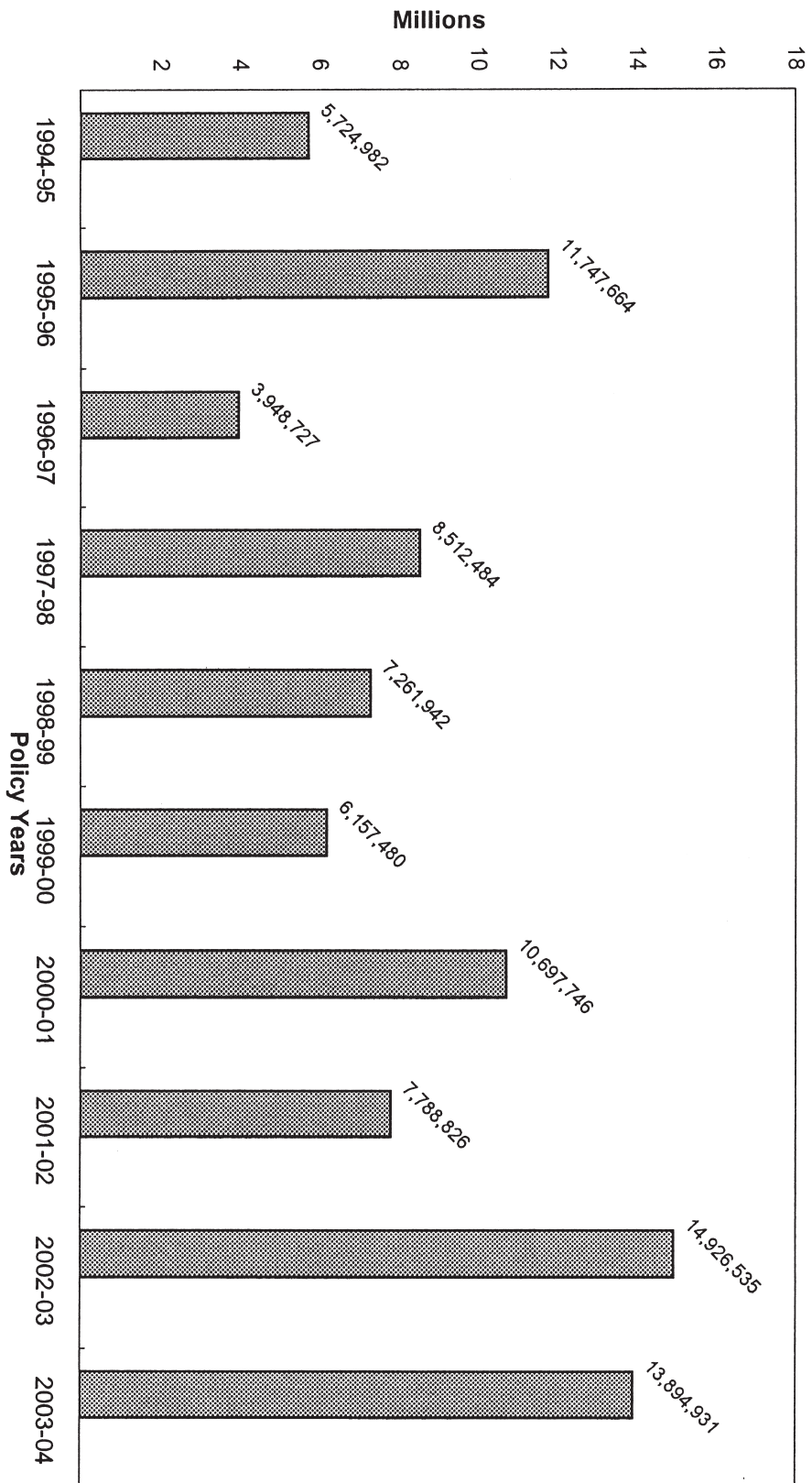
**Property Claims Summary Table  
Incurred Losses**

Perils	Number of Claims		Incurred Losses - FY 2004	
	FY 2003	FY 2004	Amount	% of Total
Fire	41	48	\$ 2,120,815	23.30%
Lightning	443	231	\$ 3,303,337	36.29%
Wind	239	745	\$ 2,646,313	29.07%
Burglary	116	82	\$ 103,220	1.13%
Vandalism	32	29	\$ 92,899	1.02%
Hail	61	32	\$ 152,093	1.67%
Vehicle	20	19	\$ 61,792	0.68%
Water	98	59	\$ 409,851	4.50%
Boiler & Machinery	16	12	\$ 63,178	0.69%
Collapse	4	4	\$ 34,232	0.38%
Freeze	30	0	\$ -	0.00%
EDP	6	6	\$ 30,346	0.33%
Other	11	13	\$ 85,024	0.93%
<b>Totals</b>	<b>1,117</b>	<b>1,280</b>	<b>\$ 9,103,099</b>	<b>100%</b>

**Claims Summary**

	FY 2004	FY 2003	FY 2002	FY 2001
Claims Handled	1,280	1,117	690	1,035
Outside Adjusted	802	448	268	538
Inside Adjusted	478	669	422	497
Average Claim Size	\$ 7,112	\$ 16,648	\$ 12,866	\$ 9,110

## History of Property Losses 1995-2004



## GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their actions in performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. Coverage is broad and includes automobile liability.

The GLTF sets aside a monetary reserve for each claim in the amount of the ultimate expected loss. Defense is conducted by the Office of the Attorney General in collaboration with GLTF.

### Employee Automobile Liability

GLTF provides liability coverage for the operators of more than 7,000 state owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, more than 6,000 employees regularly use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance. Finally, all state employees are covered for use of any vehicle on state business in the line and scope of employment, whether they regularly do so or not.

#### Auto Exposure Table

Class	Description	Number of Vehicles Insured				
		FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
001	Private Passenger	1756	1,782	1,971	1,899	1,803
002	Pickups & Vans	3109	2,865	2,845	2,783	2,390
003	Trucks & Tractors	1289	1,339	1,340	1,400	1,231
004	Law Enforcement	975	981	1,021	1,018	1,056
005	Buses	417	456	499	509	481
	Total Vehicles	7,546	7,423	7,676	7,609	6,961

## STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for work-related injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation programs.

In 2004:

The decision not to purchase excess insurance coverage for the first time in the history of the program resulted in a savings of \$423,371 in insurance premiums. There were no claims reported in 2004 that exceeded \$300,000 retention for excess insurance claims.

- Subrogation recoveries exceeded \$202,000.
- Recoveries from excess carriers exceeded \$ 313,000.
- For the third consecutive year there was no increase in rates charged to client agencies. Rates used to calculate premiums remain close to half the NCCI loss cost rates for private sector workers' compensation insurance in Alabama.
- There was no increase in administration fees charged to self-funded agencies.
- Early Return to Work initiatives resulted in 303 lost time claims compared to 342 in 2003.
- Over 60 training sessions for supervisors managing employees with work-related injuries were conducted. More than 1500 supervisors representing 100 state agencies participated.
- Less than 1% of claims resulted in a formal hearing to address claim dispute.

## RISK MANAGEMENT SERVICES

Pursuit Driver Training Courses for covered law enforcement personnel are available to state agencies through DORM.

With the enactment of the Boiler & Pressure Law on February 5, 2004, mandatory boiler inspections must be performed, at a minimum of, every two years. The state charges a minimum inspection fee of \$60 per boiler, in addition to a fee for the certificate of compliance. As a benefit of your premium with Risk Management, we contract with St. Paul Travelers to provide this valuable service free to you, which saves you the inspection fee.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted semi-annually at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment.

More than 4,500 boilers and other items of pressurized equipment were inspected during 2004. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.



## THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (EAP) provides services to 112 state agencies and departments covering more than 22,800 employees and family members.

The EAP operates similarly to most broad based EAP services in the private sector. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. EAP deals with issues such as supervisor/employee conflict, personal finances, marital and family disruptions, drug and alcohol abuse, and emotional and mental stresses.

In 2004:

- There were 136 intake assessments, 171 cases overall and 169 follow-up visits. A total of 737 service hours were provided to clients.
- Females represented 64% of clients, males 36%. Family members of employees represented 13% of total participation.
- 44% of clients were minority individuals.
- Emotional problems were the most frequent primary issue for clients (46%), followed by work-related issues (15.3%) and marital/family issues (14.5%).
- 17% of clients had 16 or more years of state service.
- Supervisor/employee conflict was the most frequently reported work performance problem, followed by (2) absenteeism and (3) quality/quantity of work performed.
- 41% of clients became aware of the program's services through their supervisor.
- 26% of clients had some college education, 48% had a college degree, and 4% had an advanced degree.
- 71% of clients are between the age of 35 and 59.
- 47% of clients are married.
- 40% of participants are self-referred, 31% are supervisor referred and 22% are supervisor recommended.



STATE INSURANCE FUND  
BALANCE SHEET  
UNAUDITED  
AS OF SEPTEMBER 30, 2004

ASSETS	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Cash and Cash Equivalents	\$ 2,940,892	\$ 1,010,302	\$ 1,546,610
Accounts Receivable	-	185,150	435,290
Due From Other Funds	24,362	5,517	-
Accrued Interest Receivable	271,060	283,258	529,213
Advances to Other Funds---Current	242,465	-	-
Investments:			
Securities	42,227,677	35,431,366	39,026,274
Real Estate	7,337,949	17,660,392	18,169,540
Prepaid Insurance	4,169,211	4,944,711	4,281,875
Due from Component Unit	34,390,000	33,874,000	33,366,000
Advances to Other Funds---Long-term	9,733,578	-	-
Fixed Assets (Net)	95,872	65,133	89,038
<b>TOTAL Assets</b>	<b>\$ 101,433,066</b>	<b>\$ 93,459,829</b>	<b>\$ 97,443,840</b>
 <b>LIABILITIES &amp; FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 28,887	\$ 42,908	\$ 191,280
Total Current Liabilities	28,887	42,908	191,280
<b>Liabilities for Unpaid Claims:</b>			
Unpaid Claims & Expenses	5,750,562	7,706,570	7,121,103
Claims Incurred But Not Reported	5,982,185	700,779	733,062
Total Claim Liabilities	11,732,747	8,407,349	7,854,165
<b>TOTAL Liabilities</b>	<b>11,761,634</b>	<b>8,450,257</b>	<b>8,045,445</b>
<b>Fund Equity:</b>			
Contributed Capital	460,000	460,000	460,000
Fund Balance	89,211,432	84,549,572	88,938,395
	89,671,432	85,009,572	89,398,395
<b>TOTAL Liabilities &amp; Fund Equity</b>	<b>\$ 101,433,066</b>	<b>\$ 93,459,829</b>	<b>\$ 97,443,840</b>

**STATE INSURANCE FUND**  
**STATEMENT OF REVENUE AND EXPENSES**  
**UNAUDITED**  
**SEPTEMBER 30, 2004**

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
<b>REVENUES:</b>			
Earned Premiums	\$ 19,854,768	\$ 16,718,865	\$ 12,360,840
Recoveries	351,429	163,817	16,451
Investment Income	6,196,584	3,388,881	(576,214)
Prior Year Refund	3,692,660	25,638	89,871
Other Income	-	809	7,500
<b>TOTAL REVENUES</b>	<b>\$ 30,095,441</b>	<b>\$ 20,298,010</b>	<b>\$ 11,898,448</b>
<b>EXPENSES:</b>			
<b>OPERATION:</b>			
Loss and Adjustment Expenses	\$ 8,613,525	\$ 14,958,818	\$ 8,519,351
Incurred But Not Reported Expense	5,281,406	(32,283)	(730,525)
Reinsurance Expense	9,354,929	9,220,295	6,818,750
Actuarial Services	12,600	12,000	12,130
Investment Expenses	246,698	160,560	222,588
Legal Fees (Cost Allocation Defense)	-	210	153,616
<b>Total Operation</b>	<b>23,509,158</b>	<b>24,319,600</b>	<b>14,995,910</b>
<b>ADMINISTRATION:</b>			
Personnel Salaries	558,989	716,994	638,362
Employee Benefits	152,674	170,932	156,357
Travel In-State	29,646	30,948	34,088
Travel Out-of-State	-	144	3,339
Repairs and Maintenance	30,934	29,064	21,058
Rentals and Leases	2,340	2,621	2,424
Utilities and Communication	19,873	17,590	19,885
Professional Services - Non-Claim	86,608	82,290	108,501
Supplies, Materials & Operating Expense	34,666	34,215	191,706
Transportation Equipment Operations	9,818	10,250	8,305
Depreciation Expense	41,029	53,192	57,624
<b>Total Administration</b>	<b>966,577</b>	<b>1,148,240</b>	<b>1,241,649</b>
<b>TOTAL EXPENSES</b>	<b>24,475,735</b>	<b>25,467,840</b>	<b>16,237,559</b>
<b>NET REVENUES</b>	<b>\$ 5,619,706</b>	<b>\$ (5,169,830)</b>	<b>\$ (4,339,111)</b>

**STATE INSURANCE FUND**  
**Underwriting Revenues and Expenditures**  
**Other Revenues and Expenditures**  
**Ten Year Income Summary**

	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
<b>UNDERWRITING REVENUES:</b>										
Earned Premium	19,854,768	16,718,865	12,360,840	11,504,086	10,611,168	10,258,420	11,241,583	10,327,384	10,412,815	9,499,058
<b>UNDERWRITING EXPENSES:</b>										
Claims and Expenses Paid	10,569,533	14,373,351	7,949,769	9,689,827	5,319,982	10,188,763	5,545,411	8,928,710	7,928,188	5,544,523
Claims and Expenses Unpaid	(1,956,008)	585,467	569,582	997,927	724,523	(145,714)	(631,543)	(5,503,094)	3,819,476	707,459
IBNR Expenses	5,281,406	(32,283)	(730,525)	9,992	112,975	(2,781,107)	3,598,616	523,111		(527,000)
Total Losses Incurred	13,894,931	14,926,535	7,788,826	10,697,746	6,157,480	7,261,942	8,512,484	3,948,727	11,747,664	5,724,982
Less Recoveries	351,428	163,817	16,451	28,529	91,560	44,540	309,709	1,591,592	406,032	1,049,479
Net Claims	13,543,503	14,762,718	7,772,375	10,669,217	6,065,920	7,217,402	8,202,775	2,357,135	11,341,632	4,675,503
Insurance Rating Services								1,022	10,384	5,303
Actuarial Services	12,600	12,000	12,130	11,560	11,030	25,564	29,981	43,747	11,140	8,289
Reinsurance Premium	9,354,929	9,220,295	6,818,750	4,625,350	3,720,562	4,057,885	3,945,428	3,471,031	3,401,536	3,412,891
Administrative Expenses	966,577	1,148,240	1,241,649	1,023,677	905,797	1,127,719	1,057,148	889,797	953,491	1,070,968
Net Claims and Expenses	23,877,609	25,143,253	15,844,904	16,329,804	10,703,309	12,428,570	13,235,332	6,762,732	15,718,183	9,172,954
Net Underwriting Revenues	(4,022,841)	(8,424,388)	(3,484,064)	(4,825,718)	(92,141)	(2,170,150)	(1,993,749)	3,564,653	(5,305,368)	326,104
<b>OTHER REVENUES:</b>										
Investment Income	6,196,585	3,388,881	(576,214)	2,366,716	4,856,766	4,826,420	3,207,728	4,518,319	4,615,308	6,495,559
Other Income	3,692,660	26,447	97,371	3,188,538	348,119	19,369		287	20	32,112
Total Other Revenues	9,889,245	3,415,328	(478,843)	5,555,254	5,204,885	4,845,789	3,207,728	4,518,606	4,615,328	6,527,671
<b>OTHER EXPENSES:</b>										
Appraisal Services								5,245		
Investment Expenses	246,698	160,560	222,588	182,429	236,109	157,820	612,809	119,908	104,883	129,264
Penalty Expense							3,467,825			
Prior Period Adjustments										
Legal Defense Fees										
Total Other Expenses	246,698	160,770	376,204	456,482	469,281	182,121	4,111,221	376,071	156,785	317,935
Net Other Revenues	9,642,547	3,254,558	(855,047)	5,098,772	4,735,604	4,663,668	(903,493)	4,017,382	4,458,543	6,209,736
<b>NET REVENUES</b>	<b>5,619,706</b>	<b>(5,169,830)</b>	<b>(4,339,111)</b>	<b>273,054</b>	<b>4,643,463</b>	<b>2,493,518</b>	<b>(2,897,242)</b>	<b>7,582,035</b>	<b>(846,825)</b>	<b>6,535,840</b>

## STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

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### **Fund Balance**

An acceptable Fund Balance is required in accordance with actuarial studies to protect the financial integrity of the Fund. This balance is reserved to pay for future losses, primarily catastrophic claims. It provides an immediate source of funds to local schools and State agencies to rebuild or replace buildings and contents.

### **Recoveries**

Recoveries include subrogation against negligent third parties who caused damage to insured property, payments by insurance companies which provide coverage primary to that of SIF, ie., Boiler and Machinery insurance coverage and payments by reinsurers.

### **Investment Expenses**

These consist of utilities, fees, maintenance and miscellaneous costs for leasing owned real estate.

### **Legal Fees**

The fees are defense costs on a claim against the SIF by the United States, Department of Health and Human Services, Division of Cost Allocation. This claim arose as a result of legislative appropriations from the SIF in the 1980's.

**STATE INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

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**Loss Liabilities and Expenses**

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SIF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The property claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year.

<b>Unpaid Reported Claims Liabilities:</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Unpaid claims and adjustment expenses at beginning of year	\$ 7,706,570	\$ 7,121,103
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	2,153,381	9,274,467
Increase (Decrease) in provision for insured events of prior years	<u>6,460,144</u>	<u>5,684,351</u>
Total incurred claims and adjustment expenses	8,613,525	14,958,818
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	3,115,328	7,664,895
Claims and adjustment expenses attributable to insured events of prior years	<u>7,454,205</u>	<u>6,708,456</u>
Total Payments	10,569,533	14,373,351
Total unpaid claims and adjustment expenses at end of year	5,750,562	7,706,570
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	700,779	733,062
Increase (Decrease) in incurred but not reported	<u>5,281,406</u>	<u>(32,283)</u>
Incurred but not reported at end of year	5,982,185	700,779
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 11,732,747</u>	<u>\$ 8,407,349</u>

# STATE INSURANCE FUND INVESTMENT NOTES

Status - September 30, 2004	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Commercial Paper	\$ 6,867,368	\$ 9,448,578	(27.3)
US Agency Securities	21,535,318	14,298,206	50.6
State & Local Government Securities	-	33,874,000	(100.0)
Mortgage Backed Securities	4,318,155	4,814,988	(10.3)
Mutual Funds	238,677	-	100.0
Domestic Corporate Stocks	9,221,961	5,847,719	57.7
Domestic Corporate Bonds	46,198	1,021,875	(95.5)
Total Cash Securities	42,227,677	69,305,366	(39.1)
Real Estate Investments	7,337,949	17,660,392	(58.4)
Total Investments	<u>\$ 49,565,626</u>	<u>\$ 86,965,758</u>	<u>(43.0)</u>

## Investment Income

Interest Earned	\$ 2,703,704	\$ 3,010,981	(10.2)
Change in Fair Value of Investments	2,958,829	(102,586)	(29.8)
Stock Dividends	140,231	83,324	68.3
Amortization/Depr Income	(336,566)	(334,279)	(0.7)
Rental Income	730,386	731,441	(0.1)
Total Investment Income	<u>\$ 6,196,584</u>	<u>\$ 3,388,881</u>	<u>82.9</u>

**STATE INSURANCE FUND**  
**Underwriting Expenditures**  
**(Claims and Expenses Paid)**  
**Ten Year History**

Fiscal Year	TOTAL	<u>Policy Year of Claim</u>									
		2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
1995	1,382,581									4,451,924	1,382,581
1996	6,650,488								2,482,732	4,970,436	2,198,564
1997	8,229,145								1,857,068	858,255	775,977
1998	5,545,411							2,322,867	149,200	1,483,321	507,221
1999	9,983,157						6,352,944	1,997,692	54,443		
2000	5,319,982					2,325,861	2,768,444	171,234			
2001	9,689,827				4,302,954	3,195,300	1,751,058	70,619			
2002	7,949,769			2,296,674	4,068,464	1,555,027	29,604			369,896	
2003	14,373,351		7,664,895	5,413,330	1,290,358	4,768					
2004	10,569,533	3,115,328	7,037,605	384,769	31,831						

**STATE INSURANCE FUND REVENUE EXHIBIT**  
**RETURN ON EQUITY ( R O E )**

<b>Fiscal Year</b>	<b>FUND EQUITY</b>	<b>NET REVENUES</b>		<b>UNDERWRITING NET REVENUES</b>		<b>INVESTMENT NET REVENUES</b>	
2004	89,671,432	5,619,706	6.4%	(4,022,841)	-4.6%	5,949,886	6.8%
2003	85,009,572	(5,169,830)	-5.9%	(8,424,388)	-9.7%	3,228,321	3.7%
2002	89,398,395	(4,339,111)	-4.8%	(3,484,064)	-3.9%	(798,802)	-0.9%
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
2000	89,772,044	4,643,463	5.3%	(92,141)	-0.1%	4,620,657	5.3%
1999	84,734,741	2,493,518	3.7%	(2,170,150)	-3.2%	4,668,600	6.8%
* 1998	51,724,659	(2,897,242)	-5.6%	(1,993,749)	-3.8%	2,594,919	5.0%
* 1997	51,918,635	7,582,035	15.8%	3,564,653	7.4%	4,393,166	9.1%
* 1996	44,276,678	(846,825)	-1.4%	(5,305,368)	-8.8%	4,510,425	7.5%
1995	76,301,869	6,535,840	8.6%	326,104	0.4%	6,366,295	8.3%
<b>Average Return On Equity</b>		<b>0.3%</b>		<b>-3.9%</b>		<b>4.3%</b>	

\* Excludes the Alabama Incentives Financing Authority \$30 Million bond - no income was recorded.  
This bond served only to reduce the returns on investment and fund liquidity.



**STATE INSURANCE FUND LOSS EXPERIENCE**  
**BY FISCAL YEAR**

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Earned Premium	\$19,854,768	\$16,718,865	\$12,360,840	\$11,504,086	\$10,611,168
Less Reinsurance Cost	9,354,929	9,220,295	6,818,750	4,625,350	3,720,562
<b>Net Premium</b>	<b>\$10,499,839</b>	<b>\$7,498,570</b>	<b>\$5,542,090</b>	<b>\$6,878,736</b>	<b>\$6,890,606</b>
Losses Incurred	10,569,533	14,373,351	7,949,769	9,689,827	5,319,982
Loss and Expense Incurred	(1,956,008)	585,467	569,582	997,927	724,523
Loss Incurred But Not Reported	5,281,406	(32,283)	(730,525)	9,992	112,975
Total Losses Incurred	\$13,894,931	\$14,926,535	\$7,788,826	\$10,697,746	\$6,157,480
Less Recoveries	351,428	163,817	16,451	28,529	91,560
<b>Net Losses</b>	<b>\$13,543,503</b>	<b>\$14,762,718</b>	<b>\$7,772,375</b>	<b>\$10,669,217</b>	<b>\$6,065,920</b>
<b>Loss Ratio</b>	<b>129.0%</b>	<b>196.9%</b>	<b>140.2%</b>	<b>155.1%</b>	<b>88.0%</b>

\*Loss Ratio = Net Losses divided by Net Premium.

**GENERAL LIABILITY TRUST FUND**  
**BALANCE SHEET**  
**UNAUDITED**  
**AS OF SEPTEMBER 30, 2004**

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<b>ASSETS</b>	<b><u>FY 2004</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2002</u></b>
Cash and Cash Equivalents	\$ 2,681,955	\$ 734,624	\$ 1,169,118
Accounts Receivable	-	-	1,502,911
Due From Other Funds	1,440	-	535
Accrued Interest Receivable	247,559	188,336	343,621
Investments	22,682,931	24,318,002	22,486,939
Prepaid Reinsurance	<u>437,953</u>	<u>441,495</u>	<u>350,000</u>
 <b>TOTAL Assets</b>	 <b><u>\$ 26,051,838</u></b>	 <b><u>\$ 25,682,457</u></b>	 <b><u>\$ 25,853,124</u></b>
 <b>LIABILITIES &amp; FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 855,532	\$ 17,963	\$ 58,037
 <b>Liabilities for Unpaid Claims:</b>			
Unpaid Claims & Expenses	15,057,533	15,158,593	9,811,469
Claims Incurred But Not Reported	<u>11,917,071</u>	<u>12,033,990</u>	<u>10,777,309</u>
 Total Claim Liabilities	26,974,604	27,192,583	20,588,778
 <b>TOTAL Liabilities</b>	27,830,136	27,210,546	20,646,815
 <b>Fund Equity:</b>			
Fund Balance	<u>(1,778,298)</u>	<u>(1,528,089)</u>	<u>5,206,309</u>
 <b>TOTAL Liabilities &amp; Fund Equity</b>	 <b><u>\$ 26,051,838</u></b>	 <b><u>\$ 25,682,457</u></b>	 <b><u>\$ 25,853,124</u></b>

**GENERAL LIABILITY TRUST FUND**  
**STATEMENT OF REVENUE AND EXPENSES**  
**UNAUDITED**  
**SEPTEMBER 30, 2004**

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
<b>REVENUES:</b>			
Earned Premiums	\$ 8,570,498	\$ 7,761,570	\$ 7,607,325
Interest Income - Investments	1,003,052	950,678	1,218,784
Recoveries	3,024	7,679	600
Prior Year Refund	<u>1,254,458</u>	<u>-</u>	<u>15,119</u>
<b>TOTAL REVENUES</b>	<b>\$ 10,831,032</b>	<b>\$ 8,719,927</b>	<b>\$ 8,841,828</b>
<b>EXPENSES:</b>			
OPERATION:			
Loss and Adjustment Expenses	\$ 7,103,475	\$ 9,387,632	\$ 8,277,483
Incurred But Not Reported Expense	(116,919)	1,256,681	(242,402)
Reinsurance Expense	3,609,850	4,019,655	2,156,788
Prior Period Adjustment	57,280	-	-
Actuarial Services	<u>10,500</u>	<u>10,000</u>	<u>10,475</u>
Total Operation	<b>10,664,186</b>	<b>14,673,968</b>	<b>10,202,344</b>
ADMINISTRATION:			
Personnel Salaries	308,859	303,926	252,359
Employee Benefits	80,204	76,205	61,066
Travel In-State	8,025	7,410	10,575
Repairs and Maintenance	32,176	29,805	20,991
Rentals and Leases	2,358	1,908	2,002
Utilities and Communication	7,736	9,842	16,970
Professional Services - Non-Claim	33,798	33,033	89,845
Supplies, Materials & Operating Expenses	31,191	24,393	17,207
Transportation Equipment Operations	2,561	1,562	3,400
Grants & Benefits	<u>-</u>	<u>-</u>	<u>3,875</u>
Total Administration	<b>506,908</b>	<b>488,084</b>	<b>478,290</b>
<b>TOTAL EXPENSES</b>	<b><u>11,171,094</u></b>	<b><u>15,162,052</u></b>	<b><u>10,680,634</u></b>
<b>NET REVENUES</b>	<b><u>\$ (340,062)</u></b>	<b><u>\$ (6,442,125)</u></b>	<b><u>\$ (1,838,806)</u></b>

**GENERAL LIABILITY TRUST FUND**  
**Underwriting Revenues and Expenses**  
**Other Revenues and Expenses**  
**Ten Year Income Summary**

	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
<b>UNDERWRITING REVENUES:</b>										
Earned Premium	\$ 8,570,498	\$ 7,761,570	\$ 7,607,325	\$ 7,369,736	\$ 7,363,084	\$ 7,269,520	\$ 7,606,156	\$ 5,862,140	\$ 4,748,927	\$ 1,167,261
<b>UNDERWRITING EXPENSES:</b>										
Losses and Adjustments										
Loss Expenses	2,690,280	4,798,492	4,015,847	3,413,072	2,589,829	3,620,757	1,094,727	800,676	1,396,225	2,268,215
Adjustment Expenses	4,413,195	4,589,140	4,261,636	1,756,478	1,202,739	1,186,688	1,042,305	1,435,956	1,427,689	1,355,921
IBNR Expenses	(116,919)	1,256,681	(242,402)	1,649,106	(1,196,798)	(1,552,032)	3,126,985	(2,369,714)	(1,774,586)	(3,221,021)
Total Losses Incurred	6,986,556	10,644,313	8,035,081	6,818,656	2,595,770	3,255,413	5,264,017	(133,082)	1,049,328	403,115
Less Recoveries	3,024	7,679	600	2,386	1,843	150	170,977	481,920	4,397	-
Net Claims	6,983,532	10,636,634	8,034,481	6,816,270	2,593,927	3,256,263	5,093,040	(615,002)	1,044,931	403,115
Reinsurance Premium - Liability	-	-	290,333	517,667	454,667	334,950	374,900	437,761	456,833	610,000
Reinsurance Premium - Automobile	3,609,850	4,019,655	1,866,455	1,340,280	2,389,277	1,944,327	2,288,064	2,115,174	2,264,212	2,234,467
Actuarial Services	10,500	10,000	10,475	9,985	9,500	4,988	19,040	35,994	5,700	6,620
Professional Services-non claim	57,280	-	-	-	12,838	-	-	-	-	-
Administrative Expenses	506,908	488,084	478,290	400,143	474,285	536,187	559,106	551,644	414,536	538,396
Net Underwriting Expenses	11,168,070	15,154,373	10,680,034	9,084,345	5,934,494	6,075,715	8,334,150	2,525,571	4,186,212	3,792,598
Net Underwriting Revenues	(2,597,572)	(7,392,803)	(3,072,709)	(1,714,609)	1,428,590	1,193,805	(727,994)	3,336,569	562,715	(2,625,337)
<b>OTHER REVENUES:</b>										
Investment Income	1,003,052	950,678	1,218,784	1,665,939	590,281	945,845	1,252,740	1,067,478	947,572	1,141,368
Prior Year Refund	1,254,458	-	15,119	-	450	-	-	-	-	-
Net Other Revenues	2,257,510	950,678	1,233,903	1,665,939	590,731	945,845	1,252,740	1,067,478	947,572	1,141,368
<b>NET REVENUES</b>	<b>\$ (340,062)</b>	<b>\$ (6,442,125)</b>	<b>\$ (1,836,806)</b>	<b>\$ (48,670)</b>	<b>\$ 2,019,321</b>	<b>\$ 2,139,650</b>	<b>\$ 524,746</b>	<b>\$ 4,404,047</b>	<b>\$ 1,510,287</b>	<b>\$ (1,483,969)</b>

**GENERAL LIABILITY TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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**Loss Liabilities and Expenses**

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary.

<b>Unpaid Reported Claims Liabilities:</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Unpaid claims and adjustment expenses at beginning of year	\$ 15,158,593	\$ 9,811,469
Incurring Claims and Adjustment Expenses:		
Provision for insured events of the current year	781,382	1,408,145
Increase (Decrease) in provision for insured events of prior years	<u>6,322,093</u>	<u>7,979,487</u>
Total incurred claims and adjustment expenses	7,103,475	9,387,632
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	1,275,075	1,006,310
Claims and adjustment expenses attributable to insured events of prior years	<u>5,929,460</u>	<u>3,034,198</u>
Total Payments	7,204,535	4,040,508
Total unpaid claims and adjustment expenses at end of year	15,057,533	15,158,593
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	12,033,990	10,777,309
Increase (Decrease) in incurred but not reported	<u>(116,919)</u>	<u>1,256,681</u>
Incurred but not reported at end of year	11,917,071	12,033,990
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 26,974,604</u>	<u>\$ 27,192,583</u>

# GENERAL LIABILITY TRUST FUND

## INVESTMENT NOTES

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Status - September 30, 2004

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Commercial Paper	\$ 2,599,350	\$ 7,844,749	(66.9)
US Agency Securities	19,856,286	15,155,596	31.0
Mortgage Backed Securities	227,295	295,782	(23.2)
Domestic Corporate Bonds	-	1,021,875	(100.0)
Total Investments	<u>\$ 22,682,931</u>	<u>\$ 24,318,002</u>	<u>(6.7)</u>
Investment Income	<u>\$ 1,003,052</u>	<u>\$ 950,678</u>	<u>5.5</u>

**GENERAL LIABILITY TRUST FUND**  
**Underwriting Expenditures**  
**(Claims and Expenses Paid)**  
**Ten Year History**

Fiscal Year	TOTAL	<u>Policy Year of Claim</u>									
		2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
1995	497,404									1,017,947	497,404
1996	1,168,734								699,963	1,151,801	150,787
1997	2,126,241								551,999	843,314	274,477
1998	2,272,391							633,503	985,520	259,215	243,575
1999	3,949,196						2,196,683	433,117	230,981	9,364	74,661
2000	2,921,852				15,193	447,824	2,006,961	208,899	90,613	80,161	17,823
2001	3,819,540				830,891	166,918	3,399,725	20,358	83,026	379,354	46,572
2002	4,003,797			1,251,418	1,070,090	185,186	1,231,833	488	4,008		41,601
2003	4,040,498		1,006,310	1,447,314	1,307,219	419,289	37,862	296	1,830		55,329
2004	7,204,535	1,275,075	1,432,722	2,904,628		226,436	8,912				47,713

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**BALANCE SHEET**  
**UNAUDITED**  
**AS OF SEPTEMBER 30, 2004**

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<b>ASSETS</b>	<b><u>FY 2004</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2002</u></b>
Cash and Cash Equivalents	\$ 2,736,319	\$ 1,243,288	\$ 1,536,843
Due From Other Funds	756,040	36,542	216,636
Accrued Interest Receivable	177,872	99,828	154,744
Investments	16,235,072	16,846,225	13,848,874
Prepaid Reinsurance	-	105,843	90,848
Deposit with Claims Paying Agent	<u>-</u>	<u>-</u>	<u>264,000</u>
 <b>TOTAL Assets</b>	 <b><u>\$ 19,905,303</u></b>	 <b><u>\$ 18,331,726</u></b>	 <b><u>\$ 16,111,945</u></b>
 <b>LIABILITIES &amp; FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 881,018	\$ 26,528	\$ 338,588
SEICTF Self Insured Deposits	<u>257,000</u>	<u>257,000</u>	<u>212,000</u>
Total Current Liabilities	1,138,018	283,528	550,588
 <b>Liabilities for Unpaid Claims:</b>			
Unpaid Claims & Expenses	4,434,345	5,486,098	4,702,785
Claims Incurred But Not Reported	<u>5,558,336</u>	<u>4,674,702</u>	<u>3,421,104</u>
Total Claim Liabilities	9,992,681	10,160,800	8,123,889
 <b>TOTAL Liabilities</b>	 <b>11,130,699</b>	 <b>10,444,328</b>	 <b>8,674,477</b>
 <b>Fund Equity:</b>			
Fund Balance	<u>8,774,604</u>	<u>7,887,398</u>	<u>7,437,468</u>
 <b>TOTAL Liabilities &amp; Fund Equity</b>	 <b><u>\$ 19,905,303</u></b>	 <b><u>\$ 18,331,726</u></b>	 <b><u>\$ 16,111,945</u></b>



**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**STATEMENT OF REVENUE AND EXPENSES**  
**UNAUDITED**  
**SEPTEMBER 30, 2004**

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
<b>REVENUES:</b>			
Earned Premiums	\$ 2,924,803	\$ 2,837,069	\$ 2,690,414
Interest Income - Investments	734,468	631,253	864,622
Subrogation Recoveries	117,329	202,360	147,346
Prior Year Refund	66,590	1,971,705	-
Other Income - Administrative Fees	<u>1,618,303</u>	<u>1,429,283</u>	<u>1,520,606</u>
<b>TOTAL REVENUES</b>	<b>5,461,493</b>	<b>7,071,670</b>	<b>5,222,988</b>
<b>EXPENSES:</b>			
OPERATION:			
Loss and Adjustment Expenses	723,230	1,464,296	3,698,763
Incurred But Not Reported Expense	883,634	1,253,598	640,361
Reinsurance Expense	105,843	408,376	361,983
Actuarial Services	-	21,180	51,007
Professional Services	<u>1,877,427</u>	<u>1,116,522</u>	<u>1,377,960</u>
Total Operation	<b>3,590,134</b>	<b>4,263,972</b>	<b>6,130,074</b>
ADMINISTRATION:			
Personnel Salaries	680,985	593,410	252,329
Employee Benefits	205,780	184,057	70,671
Travel In-State	449	400	650
Travel Out-of-State	429	-	-
Repairs and Maintenance	9,045	8,635	38,013
Rentals and Leases	4,943	3,929	1,658
Utilities and Communication	39,203	39,869	52,499
Professional Services - Non-Claim	116,254	60,267	365,523
Supplies, Materials & Operating Exper	53,705	44,886	44,391
Transportation Equipment Operations	<u>63</u>	<u>60</u>	<u>300</u>
Total Administration	<b>1,110,856</b>	<b>935,513</b>	<b>826,034</b>
<b>TOTAL EXPENSES</b>	<b><u>4,700,990</u></b>	<b><u>5,199,485</u></b>	<b><u>6,956,108</u></b>
<b>NET REVENUES</b>	<b><u>\$ 760,503</u></b>	<b><u>\$ 1,872,185</u></b>	<b><u>\$ (1,733,120)</u></b>

**STATE EMPLOYEES INJURY COMPENSATION TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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**Loss Liabilities and Expenses**

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SEICTF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Employee injury claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year. Those claims that have been reported are likely to be understated because of unknown medical expense.

<b>Unpaid Reported Claims Liabilities:</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Unpaid claims and adjustment expenses at beginning of year	\$ 5,486,098	\$ 4,702,785
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	144,646	843,397
Increase (Decrease) in provision for insured events of prior years	<u>578,584</u>	<u>1,877,240</u>
Total incurred claims and adjustment expenses	723,230	2,720,637
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	354,997	600,570
Claims and adjustment expenses attributable to insured events of prior years	<u>1,419,986</u>	<u>1,336,754</u>
Total Payments	1,774,983	1,937,324
Total unpaid claims and adjustment expenses at end of year	4,434,345	5,486,098
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	4,674,702	3,421,104
Increase (Decrease) in incurred but not reported	<u>883,634</u>	<u>1,253,598</u>
Incurred but not reported at end of year	5,558,336	4,674,702
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$ 9,992,681</u>	<u>\$ 10,160,800</u>

# STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

## INVESTMENT NOTES

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Status - September 30, 2004

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Commercial Paper	\$ 1,727,568	\$ 6,974,973	(75.2)
US Agency Securities	14,507,504	8,849,377	63.9
Domestic Corporate Bonds	<u>-</u>	<u>1,021,875</u>	<u>(100.0)</u>
Total Investments	<u>\$ 16,235,072</u>	<u>\$ 16,846,225</u>	<u>(3.6)</u>

Investment Income	<u>\$ 734,468</u>	<u>\$ 631,253</u>	<u>16.4</u>
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**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**Underwriting Expenditures**  
**(Claims and Expenses Paid)**  
**Ten Year History**

<b>Fiscal Year</b>	<b>Total</b>	<u><b>Policy Year of Claim</b></u>									
		<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
1996	2,736,679									1,843,975	892,704
1997	2,797,761								1,477,218	994,260	326,283
1998	2,986,997							347,888	1,714,292	702,972	221,845
1999	1,753,553						208,497	57,131	853,112	464,299	170,514
2000	1,599,518					262,641	(478,794)	571,892	683,213	392,680	167,886
2001	2,849,303				541,368	386,617	694,847	349,821	422,446	338,999	115,205
2002	2,922,089			584,418	(581,797)	993,554	611,352	354,924	580,686	272,682	106,270
2003	1,937,324		600,570	(2,039,715)	1,712,015	444,360	370,153	196,270	320,235	303,284	30,152
2004	1,774,983	354,997	188,703	616,389	614,894						

## Staff

ACTING RISK MANAGER .....	Kim Huggins
ADMINISTRATIVE .....	Marilyn Tucker Joyce Gassett Laura Robinson
INFORMATION SYSTEMS .....	Becky Cole Sharon Henderson
CLAIMS .....	Kim Huggins Leigh Warner Dorothy Roberts Teresa Nobles
EMPLOYEE ASSISTANCE .....	Sam Boswell
LOSS CONTROL.....	Jack Pierce Walter Cooper Harper Pruett Ken Barnett Matthew Payne
UNDERWRITING .....	Carl Walter Dale Whittle
EMPLOYEE INJURY .....	Mike Jarrett Pete Maddock Sandra Landers Ann Jackson Dorothy Kelly Georgia Ivey Hugh Gale Lou Scholl Paula Cole Paulette Weeks Rosanna McHargue Sirena Sheridan Tammy Sasser